

HAMBURG COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Hamburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2007 Election)</b>		
Bill Green	President	2007
Greg Warden	Vice President	2007
Hilary Christiansen	Board Member	2009
Mary Ann Gregg	Board Member	2008
Charles Dovel	Board Member	2008
<b>Board of Education (After September 2007 Election)</b>		
Bill Green	President	2011
Greg Warden	Vice President	2011
Hilary Christiansen	Board Member	2009
Mary Ann Gregg	Board Member	2008
Charles Dovel	Board Member	2008
<b>School Officials</b>		
Dr. Paul Sellon	Superintendent	2008
Sue Ann Smith	Board Secretary/ District Treasurer (Resigned)	2008
Rhonda Shirley	Board Secretary/ District Treasurer (Appointed)	2008
Gruhn Law Firm	Attorney	2008

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Hamburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hamburg Community School District, Hamburg, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hamburg Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2009 on our consideration of the Hamburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hamburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 6, 2009

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Hamburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,647,377 in fiscal 2007 to \$2,814,473 in fiscal 2008, while General Fund expenditures increased from \$2,822,988 in fiscal 2007 to \$2,978,297 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$111,483 in fiscal 2007 to a negative balance of \$52,341 in fiscal 2008, a 146.95% decrease from the prior year.
- The increase in General Fund revenues was attributable to the District receiving more in local tax revenue as well as increased state grant revenue during fiscal year 2008. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Hamburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hamburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Hamburg Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

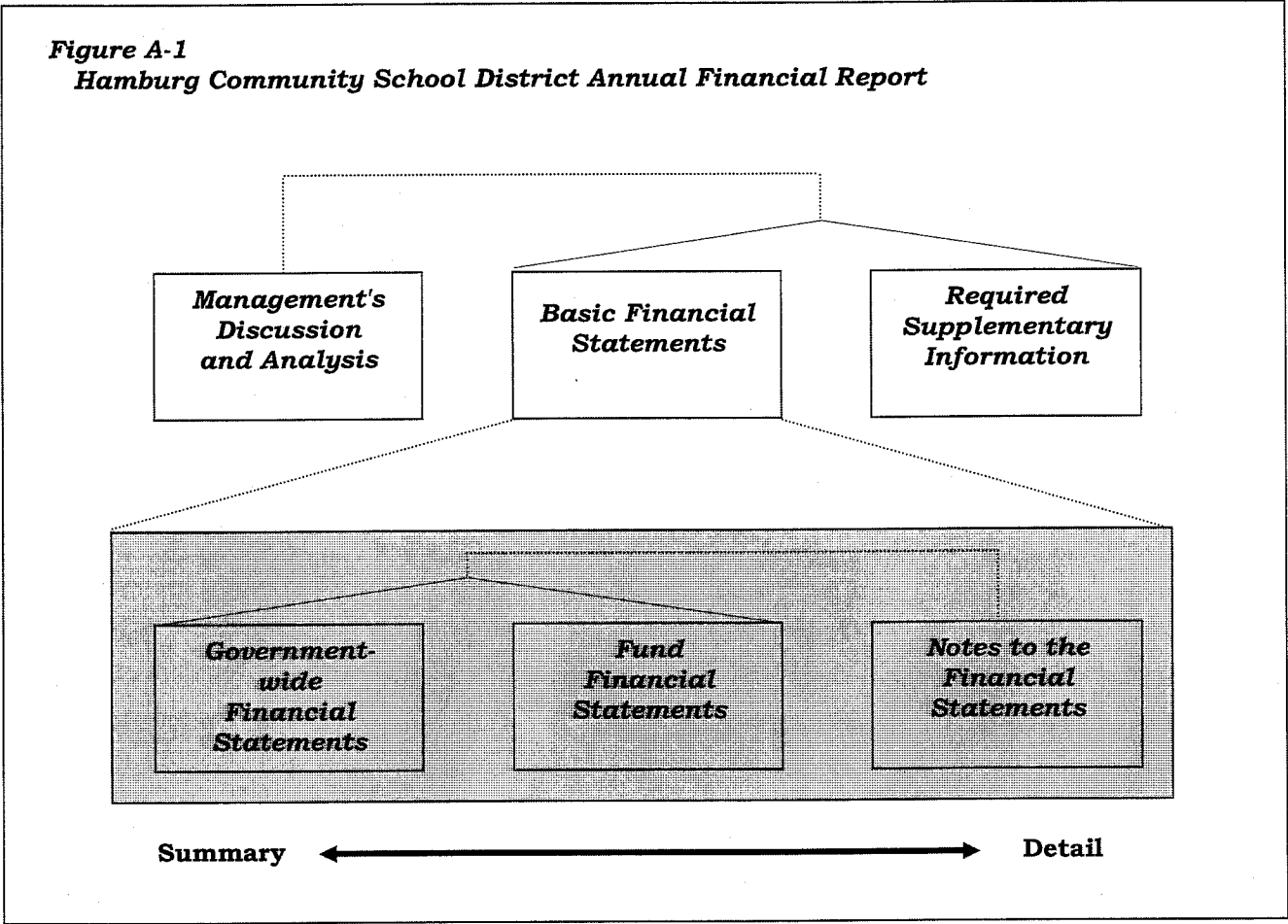


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.



In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Capital Projects Fund and Special Revenue Funds.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 3,018,355	3,033,413	47,879	134,798	3,066,234	3,168,211	-3.22%
Capital assets	949,936	1,018,260	17,376	20,430	967,312	1,038,690	-6.87%
Total assets	3,968,291	4,051,673	65,255	155,228	4,033,546	4,206,901	-4.12%
Long-term obligations	58,328	73,620	0	0	58,328	73,620	-20.77%
Other liabilities	1,875,393	2,020,036	6,573	81,429	1,881,966	2,101,465	-10.45%
Total liabilities	1,933,721	2,093,656	6,573	81,429	1,940,294	2,175,085	-10.79%
Net assets:							
Invested in capital assets, net of related debt	949,936	1,018,260	17,376	20,430	967,312	1,038,690	-6.87%
Restricted	1,143,602	800,781	0	0	1,143,602	800,781	42.81%
Unrestricted	(58,968)	138,976	41,306	53,369	(17,662)	192,345	-109.18%
Total net assets	\$ 2,034,570	1,958,017	58,682	73,799	2,093,252	2,031,816	3.02%

The District's combined net assets increased by 3.02%, or \$61,436, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$342,821, or 42.81% over the prior year. The increase was primarily a result of the District's increase in the Physical Plant and Equipment Levy Fund and Capital Projects Fund balances.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$210,007, or 109.18%. This decrease in unrestricted net assets was primarily a result of expenditures exceeding revenues for the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 170,098	149,365	39,984	59,762	210,082	209,127	0.46%
Operating grants and contributions and restricted interest	490,770	403,927	102,415	102,163	593,185	506,090	17.21%
General revenues:							
Property tax	1,257,312	1,221,564	0	0	1,257,312	1,221,564	2.93%
Local option sales and services tax	178,880	209,285	0	0	178,880	209,285	-14.53%
Unrestricted state grants	1,203,957	1,185,549	0	0	1,203,957	1,185,549	1.55%
Other	69,401	70,039	1,911	228	71,312	70,267	1.49%
Total revenues	3,370,418	3,239,729	144,310	162,153	3,514,728	3,401,882	3.32%
Program expenses:							
Governmental activities:							
Instructional	2,031,859	1,914,280	0	0	2,031,859	1,914,280	6.14%
Support services	1,087,001	956,531	0	0	1,087,001	956,531	13.64%
Non-instructional programs	0	458	159,427	148,835	159,427	149,293	6.79%
Other expenditures	175,005	188,308	0	0	175,005	188,308	-7.06%
Total expenses	3,293,865	3,059,577	159,427	148,835	3,453,292	3,208,412	7.63%
Changes in net assets	76,553	180,152	(15,117)	13,318	61,436	193,470	-68.25%
Beginning net assets	1,958,017	1,777,865	73,799	60,481	2,031,816	1,838,346	10.52%
Ending net assets	\$ 2,034,570	1,958,017	58,682	73,799	2,093,252	2,031,816	3.02%

In fiscal 2008, property tax and unrestricted state grants account for 73.03% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.68% of the revenue from business type activities.

The District's total revenues were approximately \$3.5 million of which \$3.4 million was for governmental activities and \$0.1 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced a 3.32% increase in revenues and a 7.63% increase in expenses. The increase in expenses was a result of the increases in the negotiated salaries and benefits.

### Governmental Activities

Revenues for governmental activities were \$3,370,418 and expenses were \$3,293,865.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses.

Figure A-5

Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 2,031,859	1,914,280	6.14%	1,472,970	1,457,125	1.09%
Support services	1,087,001	956,531	13.64%	1,087,001	956,531	13.64%
Non-instructional	0	458	-100.00%	0	458	-100.00%
Other expenses	175,005	188,308	-7.06%	73,026	92,171	-20.77%
Totals	\$ 3,293,865	3,059,577	7.66%	2,632,997	2,506,285	5.06%

For the year ended June 30, 2008

- The cost financed by users of the District's programs was \$170,098.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$490,770.
- The net cost of governmental activities was financed with \$1,257,312 in property tax, \$178,880 in local option sales and services tax, \$1,203,957 in state foundation aid, \$50,996 in interest income and \$18,405 as miscellaneous income.

### Business-Type Activities

Revenues of the District's business-type activities were \$144,310 and expenses were \$159,427. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

As previously noted, the Hamburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,099,811, above last year's ending fund balances of \$973,348. However, the primary reason for the increase in combined fund balances in fiscal 2008 is due to controlled spending in the Physical Plant and Equipment Levy Fund and Capital Projects Fund.

### Governmental Fund Highlights

- The District's deteriorating General Fund financial position from \$111,483 to \$(52,341) is the product of many factors:
- Increases in state aid, federal grants and tax levied during the year were offset by increases in General Fund expenditures during the year.
- The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
- The increase in revenues was more than offset by the increase in expenditures which resulted in the General Fund having a net decrease of \$163,824.

- The Physical Plant and Equipment Levy Fund balance increased from \$246,538 in fiscal 2007 to \$363,700 in fiscal 2008. This is to the increase in revenues more than offsetting the increase in expenditures as compared to fiscal 2007.
- The Capital Projects Fund balance increased from \$419,020 in fiscal 2007 to \$602,865 in fiscal 2008. This is due to limited expenditures from the fund during fiscal 2008.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$73,799 at June 30, 2007 to \$58,682 at June 30, 2008, representing a decrease of 20.48%.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$102,443 more than budgeted revenues, a variance of 3.00%. The most significant variance resulted from the District receiving more in federal source revenues than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

During the year ended June 30, 2008 expenditures in the support services and non-instructional support services exceeded the amounts budgeted.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2008, the District had invested \$967,312, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$119,538.

The original cost of the District's capital assets was \$3.45 million. Governmental funds account for \$3.39 million with the remainder of \$0.06 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$155,219 at June 30, 2008, compared to \$200,867 reported at June 30, 2007. This decrease resulted from depreciation expense for the fiscal year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities June 30,		Business-type Activities June 30,		Total School District June 30,		Total Change June 30, 2007-08
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 42,707	42,707	0	0	42,707	42,707	0.00%
Buildings	700,827	721,090	0	0	700,827	721,090	-2.89%
Land improvements	68,559	74,026	0	0	68,559	74,026	-7.97%
Machinery and equipment	137,843	180,437	17,376	20,430	155,219	200,867	-29.41%
Total	\$ 949,936	1,018,260	17,376	20,430	967,312	1,038,690	-7.38%

### Long-Term Debt

At June 30, 2008, the District had total outstanding Early Retirement payable from the Special Revenue – Management Fund of \$58,328. This represents a decrease of 20.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District June 30,		Total Change June 30, 2007-08
	2008	2007	2007-08
Early retirement	\$ 58,328	73,620	-20.8%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rhonda Shirley, Board Secretary, Hamburg Community School District, 105 E Street, Hamburg, Iowa, 51640.

BASIC FINANCIAL STATEMENTS

HAMBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:	\$ 1,482,369	111,170	1,593,539
Receivables:			
Property tax:			
Delinquent	14,396	0	14,396
Succeeding year	1,342,086	0	1,342,086
Income surtax	43,151	0	43,151
Interfund	70,290	(70,290)	0
Accounts	2,113	0	2,113
Due from other governments	63,950	6,575	70,525
Inventories	0	424	424
Capital assets, net of accumulated depreciation(Note 4)	949,936	17,376	967,312
TOTAL ASSETS	3,968,291	65,255	4,033,546
LIABILITIES			
Accounts payable	226,609	0	226,609
Salaries and benefits payable	298,199	6,467	304,666
Deferred revenue:			
Succeeding year property tax	1,342,086	0	1,342,086
Other	8,499	0	8,499
Unearned revenue	0	106	106
Long-term liabilities(Note 5):			
Portion due within one year:			
Early retirement payable	19,386	0	19,386
Portion due after one year:			
Early retirement payable	38,942	0	38,942
TOTAL LIABILITIES	1,933,721	6,573	1,940,294
NET ASSETS			
Invested in capital assets	949,936	17,376	967,312
Restricted for:			
Salary improvement program	4,924	0	4,924
Additional teacher contract day	6,313	0	6,313
Professional development	1,845	0	1,845
Decategorazation	1,854	0	1,854
Drop out program	8,962	0	8,962
Market factor	2,949	0	2,949
Market factor incentives	22,931	0	22,931
Management levy	51,663	0	51,663
Capital projects	602,865	0	602,865
Physical plant and equipment levy	363,700	0	363,700
Other special revenue purposes	75,596	0	75,596
Unrestricted	(58,968)	41,306	(17,662)
TOTAL NET ASSETS	\$ 2,034,570	58,682	2,093,252

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



HAMBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs					
Governmental activities:					
Instruction:					
Regular instruction	\$ 1,347,590	104,158	388,791	(854,641)	0
Special instruction	406,126	3,640	0	(402,486)	0
Other instruction	278,143	62,300	0	(215,843)	0
	<u>2,031,859</u>	<u>170,098</u>	<u>388,791</u>	<u>(1,472,970)</u>	<u>0</u>
Support services:					
Student services	68,438	0	0	(68,438)	0
Instructional staff services	90,093	0	0	(90,093)	0
Administration services	495,450	0	0	(495,450)	0
Operation and maintenance of plant services	298,998	0	0	(298,998)	0
Transportation services	134,022	0	0	(134,022)	0
	<u>1,087,001</u>	<u>0</u>	<u>0</u>	<u>(1,087,001)</u>	<u>0</u>
Other expenditures:					
Facilities acquisitions	15,147	0	0	(15,147)	0
AEA flowthrough	101,979	0	101,979	0	0
Depreciation(unallocated)*	57,879	0	0	(57,879)	0
	<u>175,005</u>	<u>0</u>	<u>101,979</u>	<u>(73,026)</u>	<u>0</u>
Total governmental activities	3,293,865	170,098	490,770	(2,632,997)	0
Business-Type activities:					
Non-instructional programs:					
Nutrition services	159,427	39,984	102,415	0	(17,028)
Total business-type activities	<u>159,427</u>	<u>39,984</u>	<u>102,415</u>	<u>0</u>	<u>(17,028)</u>
Total	\$ 3,453,292	210,082	593,185	(2,632,997)	(17,028)
General Revenues:					
Property tax levied for:					
General purposes			\$ 1,069,615	0	1,069,615
Capital outlay			187,697	0	187,697
Local option sales and services tax			178,880	0	178,880
Unrestricted state grants			1,203,957	0	1,203,957
Unrestricted investment earnings			50,996	1,911	52,907
Miscellaneous			18,405	0	18,405
Total general revenues			<u>2,709,550</u>	<u>1,911</u>	<u>2,711,461</u>
Changes in net assets			76,553	(15,117)	61,436
Net assets beginning of year			<u>1,958,017</u>	<u>73,799</u>	<u>2,031,816</u>
Net assets end of year			<u>\$ 2,034,570</u>	<u>58,682</u>	<u>2,093,252</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and pooled investments:	\$ 118,046	588,355	591,561	184,407	1,482,369
Receivables:					
Property tax:					
Delinquent	11,262	1,954	0	1,180	14,396
Succeeding year	1,081,022	161,064	0	100,000	1,342,086
Income surtax	43,151	0	0	0	43,151
Interfund	70,290	0	0	0	70,290
Accounts	2,113	0	0	0	2,113
Due from other governments	52,646	0	11,304	0	63,950
<b>TOTAL ASSETS</b>	<b>\$ 1,378,530</b>	<b>751,373</b>	<b>602,865</b>	<b>285,587</b>	<b>3,018,355</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:	\$				
Accounts payable	0	226,609	0	0	226,609
Salaries and benefits payable	298,199	0	0	0	298,199
Deferred revenue:					
Succeeding year property tax	1,081,022	161,064	0	100,000	1,342,086
Income surtax	43,151	0	0	0	43,151
Other	8,499	0	0	0	8,499
<b>Total liabilities</b>	<b>1,430,871</b>	<b>387,673</b>	<b>0</b>	<b>100,000</b>	<b>1,918,544</b>
Fund balances:					
Reserved for:					
Salary improvement program	4,924	0	0	0	4,924
Additional teacher contract day	6,313	0	0	0	6,313
Professional development	1,845	0	0	0	1,845
Market factor	2,949	0	0	0	2,949
Market factor incentives	22,931	0	0	0	22,931
Decategorazation	1,854	0	0	0	1,854
Drop out program	8,962	0	0	0	8,962
Unreserved:					
Designated:					
Designated for special purposes by the board(Bunker Donation)	27,361	0	0	0	27,361
Undesignated:					
General	(129,480)	0	0	0	(129,480)
Physical plant and equipment levy	0	363,700	0	0	363,700
Capital projects	0	0	602,865	0	602,865
Management levy	0	0	0	109,991	109,991
Other special revenue purposes	0	0	0	75,596	75,596
<b>Total fund balances</b>	<b>(52,341)</b>	<b>363,700</b>	<b>602,865</b>	<b>185,587</b>	<b>1,099,811</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,378,530</b>	<b>751,373</b>	<b>602,865</b>	<b>285,587</b>	<b>3,018,355</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 1,099,811
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	949,936
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	43,151
Long-term liabilities, including early retirement payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(58,328)</u>
Net assets of governmental activities (page 13)	<u><u>\$ 2,034,570</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 966,831	187,697	178,880	99,662	1,433,070
Tuition	107,798	0	0	0	107,798
Other	45,117	14,555	5,563	66,466	131,701
State sources	1,547,915	0	0	0	1,547,915
Federal sources	146,812	0	0	0	146,812
Total revenues	2,814,473	202,252	184,443	166,128	3,367,296
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	1,299,865	0	0	32,788	1,332,653
Special instruction	402,759	0	0	0	402,759
Other instruction	195,581	0	0	78,732	274,313
	1,898,205	0	0	111,520	2,009,725
Support services:					
Student services	68,177	0	0	0	68,177
Instructional staff services	94,482	0	0	0	94,482
Administration services	476,788	0	0	11,670	488,458
Operation and maintenance of plant services	221,230	23,592	0	53,658	298,480
Transportation services	117,436	14,800	0	0	132,236
	978,113	38,392	0	65,328	1,081,833
Other expenditures:					
Facilities acquisitions	0	46,698	598	0	47,296
AEA flowthrough	101,979	0	0	0	101,979
	101,979	46,698	598	0	149,275
Total expenditures	2,978,297	85,090	598	176,848	3,240,833
Net change in fund balances	(163,824)	117,162	183,845	(10,720)	126,463
Fund balance beginning of year	111,483	246,538	419,020	196,307	973,348
Fund balance end of year	\$ (52,341)	363,700	602,865	185,587	1,099,811

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 126,463

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year are as follows:

Expenditures for capital assets	\$ 48,160	
Depreciation expense	<u>(116,484)</u>	(68,324)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 3,122

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement payable		<u>15,292</u>
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Changes in net assets of governmental activities (page 14)		<u><u>\$ 76,553</u></u>
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SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2008

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 111,170
Due from other governments	6,575
Inventories	424
Capital assets, net of accumulated depreciation(Note 4)	17,376
TOTAL ASSETS	<u>135,545</u>
LIABILITIES	
Interfund payable	70,290
Salaries and benefits payable	6,467
Unearned revenues	106
TOTAL LIABILITIES	<u>76,863</u>
NET ASSETS	
Invested in capital assets	17,376
Unrestricted	41,306
TOTAL NET ASSETS	<u><u>\$ 58,682</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 39,984
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	62,418
Benefits	13,991
Services	1,054
Supplies	78,892
Depreciation	3,054
Other	18
TOTAL OPERATING EXPENSES	<u>159,427</u>
OPERATING LOSS	<u>(119,443)</u>
NON-OPERATING REVENUES:	
State sources	1,996
Federal sources	100,419
Interest income	1,911
TOTAL NON-OPERATING REVENUES	<u>104,326</u>
Change in net assets	(15,117)
Net assets beginning of year	<u>73,799</u>
Net assets end of year	<u>\$ 58,682</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

HAMBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 46,967
Cash received from miscellaneous sources	172
Cash payments to employees for services	(70,291)
Cash payments to suppliers for goods or services	(72,353)
Net cash used in operating activities	<u>(95,505)</u>
Cash flows from non-capital financing activities:	
Payment of interfund loan	(10,790)
State grants received	1,996
Federal grants received	87,108
Net cash provided by non-capital financing activities	<u>78,314</u>
Cash flows from investing activities:	
Interest on investments	<u>1,911</u>
Net decrease in cash and cash equivalents	(15,280)
Cash and cash equivalents at beginning of year	<u>126,450</u>
Cash and cash equivalents at end of year	<u><u>\$ 111,170</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (119,443)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	6,736
Depreciation	3,054
Decrease in inventories	875
Decrease in accounts receivable	7,049
Increase in salaries and benefits payable	6,118
Increase in unearned revenue	106
Net cash used in operating activities	<u><u>\$ (95,505)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ 111,170</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$6,736.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



HAMBURG COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Hamburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Hamburg, Iowa, and the predominate agricultural territory in Fremont County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Hamburg Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Hamburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Fremont County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets* consists of capital assets, net of accumulated depreciation.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Physical Plant and Equipment Levy is utilized to account for resources used to acquire equipment and capital facility improvements.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designated for Special Purposes by the Board - In the governmental fund financial statements, designated funds are not available for appropriation but are set aside for a specific purpose. The designated fund balance is the balance remaining from the Bunker Inheritance Donation of \$27,361.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the support services and non-instructional programs areas exceeded the amounts budgeted by the District.

#### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	Cost
Iowa Schools Joint Investment Trust	<u>\$ 1,061,682</u>

**(3) Due from and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General	School Nutrition	<u>\$ 70,290</u>

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 42,707	0	0	42,707
Total capital assets not being depreciated	<u>42,707</u>	<u>0</u>	<u>0</u>	<u>42,707</u>
Capital assets being depreciated:				
Buildings	2,015,159	31,137	0	2,046,296
Land improvements	255,991	1,012	0	257,003
Machinery and equipment	1,029,666	16,011	0	1,045,677
Total capital assets being depreciated	<u>3,300,816</u>	<u>48,160</u>	<u>0</u>	<u>3,348,976</u>
Less accumulated depreciation for:				
Buildings	1,294,069	51,400	0	1,345,469
Land improvements	181,965	6,479	0	188,444
Machinery and equipment	849,229	58,605	0	907,834
Total accumulated depreciation	<u>2,325,263</u>	<u>116,484</u>	<u>0</u>	<u>2,441,747</u>
Total capital assets being depreciated, net	<u>975,553</u>	<u>(68,324)</u>	<u>0</u>	<u>907,229</u>
Governmental activities capital assets, net	<u>\$ 1,018,260</u>	<u>(68,324)</u>	<u>0</u>	<u>949,936</u>
Business-type activities:				
Machinery and equipment	\$ 57,492	0	0	57,492
Less accumulated depreciation	37,062	3,054	0	40,116
Business-type activities capital assets, net	<u>\$ 20,430</u>	<u>(3,054)</u>	<u>0</u>	<u>17,376</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 25,174
Special	3,367
Other	5,041
Support services:	
Student	261
Instructional staff	666
Administration	6,992
Operation and maintenance of plant	518
Transportation	16,586
	<hr/> 58,605
Unallocated depreciation	<hr/> 57,879
Total governmental activities depreciation expense	<hr/> <hr/> \$ 116,484
Business-type activities:	
Food services	<hr/> <hr/> \$ 3,054

#### (5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 73,620	6,088	21,380	58,328	19,386

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed twenty-five years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will pay health insurance benefits until the retiree reaches age sixty-five. A liability has been recorded in the Statement of Net Assets for government-wide activities for these early retirement benefits. Early retirement benefits paid during the year ended June 30, 2008, totaled \$21,380.

#### (6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual



covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$100,903, \$92,951 and \$89,989 respectively, equal to the required contributions for each year.

**(7) Risk Management**

The Hamburg Community School District was a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. For fiscal 2008, the District has cancelled coverage with ISEBA.

Hamburg Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$101,979 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Deficit Fund Balance**

The District has a deficit undesignated fund balance in the General Fund of \$129,480.

**(10) Budget Overexpenditure**

During the year ended June 30, 2008 expenditures in the support services and the non-instructional programs functional areas exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

HAMBURG COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary		Budgeted Amounts		Final to
	Fund Types	Fund Type	Total			Actual
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 1,672,569	41,895	1,714,464	1,710,593	1,710,593	3,871
State sources	1,547,915	1,996	1,549,911	1,551,231	1,551,231	(1,320)
Federal sources	146,812	100,419	247,231	147,339	147,339	99,892
Total revenues	3,367,296	144,310	3,511,606	3,409,163	3,409,163	102,443
Expenditures:						
Instruction	2,009,725	0	2,009,725	2,035,357	2,035,357	25,632
Support services	1,081,833	0	1,081,833	1,045,276	1,045,276	(36,557)
Non-instructional programs	0	159,427	159,427	149,670	149,670	(9,757)
Other expenditures	149,275	0	149,275	197,285	197,285	48,010
Total expenditures	3,240,833	159,427	3,400,260	3,427,588	3,427,588	27,328
Excess(deficiency) of revenues over(under) expenditures	126,463	(15,117)	111,346	(18,425)	(18,425)	129,771
Balance beginning of year	973,348	73,799	1,047,147	996,429	996,429	50,718
Balance end of year	\$ 1,099,811	58,682	1,158,493	978,004	978,004	180,489

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

HAMBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2008

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Expendable Trust	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 108,811	15,502	60,094	184,407
Receivables:				
Property tax				
Delinquent	1,180	0	0	1,180
Succeeding year	100,000	0	0	100,000
TOTAL ASSETS	\$ 209,991	15,502	60,094	285,587
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 100,000	0	0	100,000
TOTAL LIABILITIES	100,000	0	0	100,000
UNRESERVED FUND BALANCES	109,991	15,502	60,094	185,587
TOTAL LIABILITIES AND FUND BALANCES	\$ 209,991	15,502	60,094	285,587

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2008

	Nonmajor Special Revenue Funds			
	Management Levy	Student Activity	Expendable Trust	Total Nonmajor Special Revenue Funds
REVENUES:				
Local sources:				
Local tax	\$ 99,662	0	0	99,662
Other	6,868	59,598	0	66,466
TOTAL REVENUES	106,530	59,598	0	166,128
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	27,288	0	5,500	32,788
Other instruction	0	78,732	0	78,732
Support services:				
Administration services	11,670	0	0	11,670
Operation and maintenance of plant services	52,292	1,366	0	53,658
TOTAL EXPENDITURES	91,250	80,098	5,500	176,848
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,280	(20,500)	(5,500)	(10,720)
FUND BALANCE BEGINNING OF YEAR	94,711	36,002	65,594	196,307
FUND BALANCE END OF YEAR	\$ 109,991	15,502	60,094	185,587

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

HAMBURG COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ (1,686)	1,859	0	173
Drama	1,538	2,759	4,297	0
Chorus	263	334	597	0
Band	1,983	162	2,145	0
HS Athletics	2,817	13,039	15,856	0
HS Athletics Resale	1,528	5,018	6,546	0
JH Athletics	(1,794)	2,027	0	233
HS Cheerleading	(415)	3,792	296	3,081
JH Cheerleading	(28)	641	239	374
Art	68	0	0	68
Class of 2002	(2,438)	2,438	0	0
Class of 2003	(808)	808	0	0
Class of 2004	600	0	600	0
Class of 2005	1,259	20	1,279	0
Class of 2006	209	20	229	0
Class of 2007	2,661	0	2,661	0
Class of 2008	12,927	484	13,411	0
Class of 2009	1,966	22,076	14,474	9,568
Class of 2010	1,566	416	628	1,354
Class of 2011	(89)	330	44	197
Class of 2012	288	90	0	378
Health Careers	57	0	57	0
Student Council	(327)	327	0	0
Yearbook	3,327	1,285	4,612	0
Betterment	1,532	389	1,921	0
Elementary Activity	4,292	175	4,467	0
Elementary Music Activity	3,199	268	3,467	0
Elementary Yearbook	343	841	1,108	76
Sally Ashler Memorial	1,164	0	1,164	0
Total	\$ 36,002	59,598	80,098	15,502

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



HAMBURG COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

Modified Accrual Basis					
Years Ended June 30,					
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 1,433,070	1,390,820	1,435,744	1,444,051	1,304,312
Tuition	107,798	75,449	75,210	85,975	61,534
Other	131,701	144,440	140,650	237,461	141,160
State sources	1,547,915	1,438,664	1,285,828	1,293,041	1,306,026
Federal sources	146,812	150,327	99,339	244,371	194,325
Total	<u>\$ 3,367,296</u>	<u>3,199,700</u>	<u>3,036,771</u>	<u>3,304,899</u>	<u>3,007,357</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 1,332,653	1,314,265	1,223,556	1,106,577	1,169,307
Special instruction	402,759	303,217	329,945	423,240	341,609
Other instruction	274,313	326,518	335,126	251,490	162,934
Support services:					
Student services	68,177	58,196	80,629	85,886	93,353
Instructional staff services	94,482	81,216	47,723	42,790	40,715
Administration services	488,458	444,707	440,965	416,633	404,342
Operation and maintenance of plant services	298,480	306,839	282,213	335,478	236,005
Transportation services	132,236	151,007	100,356	67,945	84,713
Central support services	0	0	0	4,145	7,824
Non-instructional programs	0	458	0	7,800	7,750
Other expenditures:					
Facilities acquisitions	47,296	40,092	100,016	259,022	422,899
AEA flow-through	101,979	96,137	91,789	91,840	94,675
Total	<u>\$ 3,240,833</u>	<u>3,122,652</u>	<u>3,032,318</u>	<u>3,092,846</u>	<u>3,066,126</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

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Telephone (641) 792-1910

### Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the  
Hamburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hamburg Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 6, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hamburg Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Hamburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hamburg Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Hamburg Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Hamburg Community School District's financial statements that is more than inconsequential will not be prevented or detected by Hamburg Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the Basic Financial Statements.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Hamburg Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

#### Compliance and Other Matters

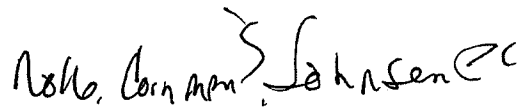
As part of obtaining reasonable assurance about whether Hamburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hamburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Hamburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hamburg Community School District and other parties to whom Hamburg Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hamburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson" followed by a stylized flourish or "C".

NOLTE, CORNMAN & JOHNSON, P.C.

March 6, 2009

HAMBURG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - New policies and procedures were set up to strengthen the internal control structure of the school accounting to include cash receipts listing, bank deposits and posting of cash receipts to the cash journal. Procedures were implemented in September 2006 to restructure how monies would be received, documented, deposited and posted. All monies received for school lunches, extra-curricular activity (including, but not limited to, athletic functions, school plays, etc.) book fees and tuition fees are collected by the Elementary and Secondary school secretaries. The school secretaries receipt and deposit the money. Deposit ledger and deposit receipts are then provided to the Business Manager to post to the cash journal. This procedure has strengthened the internal controls of the school accounting system.

Conclusion - Response accepted.

- I-B-08 Scholarship Awards - We noted that when scholarships were awarded to the student, the check was being written directly to the student.

Recommendation - The District should write scholarship checks to the trade school/university the student is attending once that student has supplied adequate documentation to the District that the student is attending a trade school/university.

Response - The District will require scholarship award recipients to provide proper documentation of attendance to the trade school/university and the address and contact information for the trade school/university's business office. Scholarship checks will be made out to and mailed directly to the trade school/university's business office.

Conclusion - Response accepted.

- I-C-08 Support for Checks Written to Sponsors & Checks Written to Students - The District has a practice of issuing a check to sponsors to be distributed to student participants at state athletic events. The money was to be divided among the students for meals. The sponsors do not provide receipts to support the meal purchase nor do they have documentation that the individual students actually received the money.

In some instances checks were written directly to the student participants.

Recommendation - The District should always have documentation to support a check written. The District should develop procedures for situations when meals will be paid for students participating at state events. The District may have the Sponsors pay for and retain documentation or the District may provide to individuals the meal allotment and request a signoff sheet by the individual students. The District should also ensure that checks are being written to the sponsor/custodian of the event.

Response - In situations where meals will be paid for students participating in state events the District will decide upon a meal allotment amount for the students attending the event. One check will be written to the sponsor/custodian of the event. The check amount will reflect the amount of the allotment times the number of students in attendance. The sponsor/custodian will cash the check and disperse the allotted amount to each student. The sponsor/custodian will ask each student to sign off on a dated form to document the amount and receipt of the allotment. The sponsor/custodian will return the signoff form to the Board Secretary along with any funds that may not have been dispersed. The Board Secretary will attach the signoff sheet to the sponsor/custodian's check request and check stub. These will be kept on file. Any funds returned will be re-deposited in the appropriate fund.

Conclusion - Response accepted.

- I-D-08 Payments to Athletic Officials - We noted during our audit of the Special Revenue, Student Activity Fund that the District writes checks to officials before events and pay the night of the event.

We also noted during our audit that the District would write a check to the leader of an officiating crew for the entire crew rather than write a check to each individual of the officiating crew.

Recommendation - The District should review procedures in place for payments made to officials. Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid the night of the game, after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The district should have a policy and athletic officials should be informed that payment will be made in this manner unless a valid contract exists.

The District should also refrain from writing one check for an entire officiating crew and write out checks to each individual official for the services they perform.

Response - The District will pay all members of an officiating crew on separate checks, payable to each individual. Payment for services will be made the day following the date of service, once the Board Secretary has received a check request signed by the Superintendent and the official's signoff sheets, documenting their service from the Athletic Director.

Conclusion - Response accepted.

- I-E-08 Gate Admissions - During our audit we noted that the District doesn't utilize pre-numbered tickets for all events that require admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the

policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" of the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - Each cash box will begin with an established amount of cash (\$200). A minimum of two individuals will be responsible for gate collection and will be instructed in writing, not to leave the cash box unattended for any amount of time for any reason.

Pre-numbered tickets will be utilized to document each entry fee. At the end of the event the cash box will be counted and reconciled to the number of tickets sold. The next unsold ticket, less the beginning ticket number will determine the number of tickets sold. The number of tickets sold times the price of the ticket will determine the amount of cash at the end of the event, less the established beginning cash amount.

The cash will be reconciled and signed off for by the individuals responsible for the gate collection. Following the event the cash box is turned into the Event Administrator who secures the box in a locked cabinet until the following business day.

At that time, the cash box will be reconciled to match the tickets sold once again in the business office. The school secretary receipts the cash and any checks received in a pre-number receipt book. The cash and checks are then prepared for deposit and deposited by

someone other than the school secretary. The pre-numbered receipt, tickets sold, and the reconciled signoff sheet will be filed with the deposit slip and cash receipt report from our accounting software.

Conclusion - Response accepted.

- I-F-08 Disbursement Procedures - We noted during our audit of the Special Revenue, Student Activity Fund that 6 of 20 disbursements did not have a purchase order or had a purchase order dated after the sales invoice. Purchase orders are typically used to document approval prior to the purchase as well as documenting which account will be paying for the invoice. The fact the purchase orders aren't used or are completed after the invoice arrives, indicates that purchases are being made without proper approval.

We also noted that 5 of 20 disbursements did not have invoices or supporting documentation.

Recommendation - Better internal control is achieved when pre-numbered purchase orders are used and the sequence is monitored. The District should review the purchase order system in place. Purchase orders provide approval to order, therefore, pre-numbered purchase orders should be approved by the administrator before the ordering of supplies takes place.

The District should review their procedures that are in place to ensure that all bills are supported, approved and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or requiring support document other than an invoice. The District should have two board members review the paid invoices monthly to ensure supporting documentation is maintained.

Response - The District will review the Purchase Order procedure with all school personnel. The procedure will require that pre-numbered Purchase Orders be requested and approved prior to any purchase. When purchases are made, the individual making the purchase will ask the vendor to document the Purchase Order number on the invoice, if possible.

Conclusion - Response accepted.

HAMBURG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008 exceeded the amount budgeted in the support services and non-instructional programs functional areas.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will monitor expenses to try to avoid exceeding budgeted amounts.

Conclusion - Response accepted.

II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-08 Business Transactions - No business transactions between the District and District officials were noted.

II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-08 Financial Condition - The District had a deficit undesignated fund balance of \$129,480 in the General Fund.

Recommendation - The District should continue to monitor the fund balance and investigate alternatives to eliminate the deficit.

Response - The District will monitor the fund balance and design and immediately implement a plan to diminish expenditures so as to eliminate the deficit.

Conclusion - Response accepted.